

Montana School Funding and the Importance of Weighting Within Our Current System

By John McNeil

The Montana Rural Education Association (MREA) is providing this document for your consideration. It is being prepared to convey our concerns over the direction and position that some AA school leaders have taken regarding the current school funding formula.

MREA has been aware of discussions among some groups of legislators and educators regarding proposed changes to the **basic entitlement** and **per ANB entitlement**. These two concepts are the major provision in our State School Funding Law, which give a weighting to the funding of schools based on size. **Changing either of these two basic components of our school funding formula could allocate dollars to one group of students, those residing in larger schools, at the expense of all the remaining students residing in smaller rural schools.**

MREA's Position: The Montana Rural Education Association has for years resisted legislation directed at enhancing small school funding at the expense of students in the larger schools of our state. Our direction has always been to promote the needs of all students in Montana schools no matter what the size of the district in which they reside.

Some form of weighting of school funding formulas in support of rural schools occurs in all states surrounding Montana. Jim Standaert of the Legislative Fiscal Division, prepared a report to investigate small school adjustments in states nearby Montana for the Education and Local Government Committee in March of 2008. **Mr. Standaert's report found North Dakota, South Dakota, and Oregon all boost the Average Daily Membership (i.e. Number of kids) in schools below an enrollment threshold to provide additional dollars for small schools. Washington and Wyoming specify a minimum set of resources for districts below an enrollment threshold to enhance the funding for their smaller schools.** Montana's only weighting for smaller school comes through the basic entitlement and per ANB entitlement.

John McNeil, author of this article on School Funding and the Importance of Weighting to the Montana System, currently serves as a consultant to MREA on school funding matters after 38 years as a educator and school administrator here in Montana. John has served on or been associated with virtually every state-level committee or commission dealing with school funding for the past twenty years.

Historically, the Montana Legislature has funded schools recognizing the additional cost of delivering educational services to small rural schools. In the late 1940's, the original School Foundation Funding Formula was developed after examining expenditures of schools of all sizes in our state. This formula allocated dollars starting with a given amount and decreasing that amount per student as school size increased. The formula was adjusted over the years increasing the schedules to accommodate losses in purchase power to inflation.

In the early 90's our Legislature revised the funding formula in reaction to the first school funding lawsuit. Actual school district expenditures FY89 were used to mathematically examine budgeting needs of school districts grouping high school districts and elementary school districts. The mathematical best fit curve mapping actual FY89 expenditures resulting from this study contained two elements: the basic entitlement and the per ANB entitlement. The combination of these two elements gave districts small to large the budget authority closest to depicting actual expenditure levels at the time with some room to grow locally in the majority of schools in the state. There were school districts small to large whose spending at the time was higher than the formula provided, but these districts were allowed to maintain their spending levels with voter approval. The formula has fallen short as subsequent legislatures failed to adjust the formula to keep up with the rising costs of education.

The "Total per ANB entitlement" and "Basic entitlement" in current law are found in 20-9-306 Montana Code Annotated – 2007. ANB is the Annual Number Belonging; the way Montana schools count kids for funding purposes.

"Basic entitlement" Each High School District for fiscal year 2009 receives a basic entitlement of \$243,649. Each Elementary School District with an approved and accredited junior high program, 7th and 8th grade program, or middle school program for fiscal year 2009 receives a basic entitlement of \$62,083. Each Elementary School District with or without an approved and accredited junior high program, 7th and 8th grade program, or middle school program for 2009 receives a basic entitlement of \$21,922. This "Basic entitlement" weights the budgets of school districts as each district no matter how many students nor the number of schools receives the basic entitlement based on the program. Smaller districts receive more budget authority per student and larger districts receive less per student. This weighting reflects the higher cost of providing education in a small school verses a larger school. **This basic entitlement again is a fundamental part of the mathematical formula developed and passed by the legislature in the early 90s.**

"Total per ANB entitlement" Each High School District for fiscal year 2009 receives an entitlement resulting from the following calculation: \$6,037 for the first ANB, decreased at a rate of 50 cents per ANB for each additional ANB of the district up

through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th ANB. Each Elementary School District without an approved and accredited junior high school, 7th and 8th grade program, or middle school program for fiscal year 2009 receives an entitlement resulting from the following calculation, \$4,716 for the first ANB, decreased at a rate of 20 cents per ANB for each additional ANB of the district up through 1000 ANB, with each ANB in excess of 1000 receiving the same amount of entitlement as the 1000th ANB. Elementary Districts with an approved and accredited junior high, 7th and 8th grade program, or middle school receive the same per ANB calculation as High School Districts for 7th and 8th grade ANB, while their k-6 ANB is funded the same as an elementary district without these programs. The decreasing amount per ANB for the 2nd through the 800th ANB in high school districts and the 2nd through 1000th ANB in elementary districts are referred to in Helena and in large school circles as the "decrements". **The declining amounts are not a detractor of our funding system; they are simply the mathematical formula required to allocate budget authority to schools in our state based on the actual spending of those schools of varying size in FY89.**

The funding changes needed according to Billings Superintendent Copps would fund each ANB in a high school district from the 801 ANB on, at the same rate as the 1st ANB or \$6037. **Billings High School District would receive additional budgeting authority of \$399.50 for each ANB over 800. If SD-2 Billings High School ends this year with an ANB of 4800, the additional budgeting amount would be $4000 \times \$399.50 = \$1,598,000$ while all schools with less than 800 ANB would receive \$0.00 additional budgeting authority.** Billings SD-2 solution to funding would also allocate a basic entitlement to each high school vs. one for each district in current law, resulting in an increase of an additional \$473,104 in budget authority. Again, only the AA schools have more than one high school in their districts. **The total increase in budget authority would be \$2,071,104 for Billings SD-2 high school budget, with all students in smaller schools receiving no additional budgeting authority.** If the same concepts were applied to the elementary budgets, the AA schools would also see a large increase in budget authority and school with under 1000 ANB would receive no additional budgeting authority.

Since retiring three years ago this spring after 38 years of service to Montana schools, I have agreed to serve as a school funding consultant for MREA on a volunteer basis, accepting no payment other than travel reimbursement for my services. I would be more than happy to answer any questions you may have. Please feel free to call Dave Puyear at the MREA office at 406.443.2629 to contact me, OR call me directly at 406.963.2556.